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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC PRIORITY 2932
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHUJA/AMEMBASSY ABUJA 1965
RUEHAR/AMEMBASSY ACCRA 1988
RUEHDS/AMEMBASSY ADDIS ABABA 2109
RUEHBJ/AMEMBASSY BEIJING 0084
RUEHBY/AMEMBASSY CANBERRA 1386
RUEHDK/AMEMBASSY DAKAR 1744
RUEHKM/AMEMBASSY KAMPALA 2165
RUEHMO/AMEMBASSY MOSCOW 0032
RUEHNR/AMEMBASSY NAIROBI 4596
RUEAIIA/CIA WASHDC
RUEHGV/USMISSION GENEVA 1249
RHEHAAA/NSC WASHDC
RHMFISS/JOINT STAFF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEFDIA/DIA WASHDC//DHO-7//
RUCPDO/DEPT OF COMMERCE WASHDC
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//
RUZEHAA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

C O N F I D E N T I A L SECTION 01 OF 04 HARARE 000459

SIPDIS

AF/S FOR S. HILL
NSC FOR SENIOR AFRICA DIRECTOR B. PITTMAN
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
TREASURY FOR J. RALYEA AND T.RAND
COMMERCE FOR BECKY ERKUL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS

E.O. 12958: DECL: 05/23/2018
TAGS: [EMIN](#) [EINV](#) [PGOV](#) [ASEC](#) [MASS](#) [ZI](#) [CH](#) [RS](#)
SUBJECT: RICH PLATINUM CLAIMS CHANGE HANDS IN HUSH-HUSH
DEALS

Classified By: Ambassador James D. McGee for reason 1.4 (d)

SUMMARY

¶1. (C) Mining giant Anglo American ceded to the Government of Zimbabwe (GOZ) close to 30 percent of its platinum claims on the Great Dyke in an agreement signed on March 23, 2008. In return, it will receive a special mining lease that allows it to hold offshore foreign exchange earnings from its Unki platinum mine, empowerment credits toward any future indigenization requirements, and a foreign exchange payment that, however, is frozen for now at the Reserve Bank of Zimbabwe (RBZ). The agreement, with strict confidentiality clauses that preclude public scrutiny, still requires presidential approval. In the meantime, the GOZ has apparently sold part or all of its acquired claim in a sweetheart deal that includes a US\$100 million "loan" by purchaser Camec Plc to the GOZ. Zimbabwean investor-of-ill-repute Billy Rautenbach, who holds a major interest in Camec, is rumored to be at the center of this swiftly concluded and murky deal. Platinum claims that Zimplats ceded to the GOZ in 2006 have also changed hands several times in equally murky deals with Chinese and Russian investors. END SUMMARY.

Terms of the Agreement

¶2. (C) Anglo American consultant John McCarthy (protect) told econoff on May 21 that Anglo American had signed an agreement

with the GOZ on March 23, 2008 to cede 26-30 percent of the Zimbabwean platinum claims of its subsidiary Anglo Platinum Ltd to the GOZ. Anglo Platinum is the world's largest primary producer of platinum. Its Zimbabwe claims are located on the Great Dyke in Shurugwi District, Midlands province, about 60 kilometers east of the town of Gweru. Under the deal, Anglo Platinum will receive a special mining lease that allows it to hold offshore the foreign exchange earnings from its Unki platinum mine. The monetary terms of the agreement are based on a valuation of the claims: Anglo will receive somewhat less than one third of the valuation in cash and the balance in credits toward any future indigenization requirements. (NOTE: McCarthy declined to divulge the value of the claims, but he did say that the empowerment credits secured were large enough to enable Anglo to retain board control if the Indigenization and Economic Empowerment Act is implemented as signed. The Act foresees 51 percent indigenous ownership of companies. END NOTE.) The agreement also gives Anglo Platinum the opportunity to participate as a joint venture partner in any platinum mining activity that the GOZ undertakes in the future.

A Leap of Faith on Anglo's Part

13. (C) McCarthy noted bitterly that the RBZ's payment for the claims was locked into a Foreign Currency Account (FCA) that the Anglo group could not access. Nor could Anglo American access foreign exchange controlled by the RBZ from

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the divestiture of its nickel claims in 2003, its chrome claims in 2005, and its sugar estates in 2006. He said Anglo American and Kingdom Meikles Africa Ltd had the two largest balances of all the earned foreign exchange holdings that the RBZ was not releasing to companies. He also noted that the cession agreement required the still-outstanding approval of President Mugabe, and lamented the GOZ's unwillingness to consider for empowerment credit any of Anglo American's social investments in the country dating back to its first investment in the Hwange (Wankie, at the time) coal deposit in the 1940s.

Anglo Freed to Jumpstart Platinum Mine Development

14. (SBU) Nevertheless, emboldened by soaring platinum prices, Anglo American concluded that the deal gave the company sufficient security to proceed with the development of its Unki platinum mine. Development of the mine under Anglo American Zimbabwe had been on go-slow until a year ago. McCarthy said that for years, in Zimbabwe's uncertain and deteriorating investment climate, Anglo had invested only enough money to maintain the claim, which dated back to the mid 1960s. In the past year, however, the company had finished construction of a large dam for the site and two 900 meter long and 300 meter deep drive-in shafts. Since concluding the GOZ agreement, however, Anglo had ramped up mine development and begun work on the construction of a concentrator. The number of employees at Unki will jump from the current staff of 370 to 1,200 as work on the concentrator, due to be completed in late 2010, peaks. It will then fall back to 900. Ore production, scheduled to spread over 35 years as the mine expands, is expected to reach 121,000 MT/month by late 2010 and peak at 400,000 MT/month.

15. (C) Anglo American, fighting both to retain and lure skilled staff after having lost its best employees to Zimplats' expansion and to overseas firms over the past years, has begun advertising positions in the South African press. Unlike Zimplats, however, McCarthy pointed out that Anglo American had not yet been able to gain permission to pay full-time permanent staff in foreign exchange. For now

it was filling the gaps with contract workers.

Cash-Strapped GOZ Sells the Family Platinum...

¶16. (C) On April 11, Mining Weekly Online reported that AIM-listed copper and cobalt producer Camec had agreed to buy the former Anglo Platinum-owned platinum claims ceded to the GOZ by Anglo American. A Zimbabwean firm called Todal Mining (60 percent owned by a British firm Lefever Finance and 40 percent owned by the parastatal Zimbabwe Mineral Development Corporation (ZMDC)) had apparently acquired the claims from the GOZ; Camec then acquired Lefever Finance and thereby gained control over the claim.

...To Rogue Investor

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¶17. (C) Greg Sebborn, former CEO and now a Director of Zimplats, told econoff on May 15 that the GOZ had strong-armed Anglo American to cede the claims, and that, as part of the deal, Camec had given the GOZ US\$100 million "to buy food." Online Mining Journal reported that Camec paid an estimated US\$120 million, comprising US\$5 million in cash, 215 million new shares, and a US\$100 million "loan" to ZMDC. As a major Camec shareholder, ill-reputed Zimbabwean minerals investor Billy Rautenbach was at the center of the deal, according to Sebborn and other industry insiders. Sebborn, however, predicted, and McCarthy separately concurred, that Camec had neither the intention nor the requisite expertise to work the Anglo claims and would most likely unload them at a high profit at the first opportunity. McCarthy believed that the agreement had been negotiated under the strictest confidentiality provisions in order to hide patronage and graft from public scrutiny. He intimated that high-level GOZ officials stood to benefit immensely from side deals.

Chinese and Russian Investors Back Off

¶18. (C) On a related note, Sebborn said that the GOZ had conveyed to a Chinese company some of the former Zimplats claims in the Hartley Complex. He intimated that it was a barter deal involving arms or military hardware. After briefly carrying out exploration of the site (it abuts Zimplats' Ngezi mine), the Chinese company had sold the claim to another Chinese company. McCarthy said separately that the first Chinese company had approached Anglo American about entering a joint venture to develop the site. Anglo American declined, as it had enough platinum claims in Zimbabwe and also believed that the company had close ties to the Chinese defense industry, which made it an unsuitable business partner.

¶19. (C) Sebborn added that work on the former Zimplats claim in the Darwendale area of the Hartley Complex had also ceased. The claim had been conveyed jointly to the Zimbabwe Mineral Development Corporation and a Russian company, again in an arms-for-claim transaction, but in this case as well, the Russian company had backed out. In the meantime, a consortium of indigenous investors led by Zimbabwean-born African Banking Corporation Holdings Group CEO Douglas Munatsi was seeking to take over the ground.

COMMENT

¶10. (C) The GOZ appears troublingly willing to sell the family silver, or in this case, platinum in shadowy deals for short-term benefit to questionable investors with no experience in platinum and absent public tender or public

scrutiny of the terms. Zimbabwe's platinum is hard to extract profitably (Zimplats' predecessor BHP Billiton notoriously burnt its fingers on the Hartley Complex a decade ago) and it can only be refined outside Zimbabwe. At a time of record-breaking platinum prices, the GOZ could be creating an investment climate that would attract long-term investors and generate a reliable income stream over decades for the benefit of all Zimbabweans. But, desperate for forex, the

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GOZ has opted for a quick return that will provide some short term support for the government but will most likely line the pockets of a select few and ultimately leave Zimbabwe all the poorer. END COMMENT.

McGee